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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

APPLE INC.,

Petitioner,

VS.

BYD PRECISION MANUFACTURING CO., LTD. AND BYD COMPANY LIMITED

### Respondents.

Case No. 3:15-cv-04985

**MOTION TO COMPEL ARBITRATION  
AND FOR PRELIMINARY  
INJUNCTION**

**Hearing Date:**

Time:

Judge:

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**NOTICE OF MOTION AND MOTION**

PLEASE TAKE NOTICE that on December 4, 2015, or as soon thereafter as the matter may be heard, in the courtroom of the judge assigned to the concurrently filed Petition, located at 450 Golden Gate Avenue, San Francisco, CA 94102, the undersigned Petitioner Apple Inc. (“Apple”) will and hereby does move for the relief described below.

Apple seeks: (i) an order compelling Respondents BYD Precision Manufacturing Co., Ltd. (“BYD Precision”) and BYD Company Limited (“BYD”) to arbitrate the parties’ dispute regarding the non-assert agreement set forth in the 2014 Master Development and Supply Agreement (the “2014 MDSA”), which requires all disputes arising out of or relating to that agreement to be arbitrated under the Rules of Arbitration of the International Chamber of Commerce (“ICC”) in San Francisco, California; and (ii) a preliminary injunction in aid of the arbitration by enjoining Respondent BYD from continuing, until an arbitral tribunal has resolved Apple’s claims under the 2014 MDSA, the patent claims improperly commenced by BYD against Petitioner’s indirect subsidiary, Apple Electronic Products Commerce (Beijing) Co., Ltd., Yitian Shenzhen Branch (“Apple Beijing”) and other defendants, in the Shenzhen Intermediate People’s Court (the “Chinese Patent Litigation”). This Motion is based on this Notice of Motion, the following Memorandum of Points and Authorities, the Declaration of Mattia Pascolini in Support of Apple’s Motion to Compel Arbitration and for Preliminary Injunction (“Pascolini Decl.”), the declaration of Jason M. Bussey (“Bussey Decl.”), the files in these actions, the argument of counsel, and such other matters as the Court may consider.

## **INTRODUCTION**

This action arises out of the relationship between Apple and a significant China-based multinational corporation, Respondent BYD and its subsidiary Respondent BYD Precision, which Apple, until recently, considered to be trusted supply chain partners. Apple and BYD's cooperation takes place pursuant to several agreements, including two Master Development and Supply Agreements ("MDSAs") dated 2011 and 2014.

Section 13.2(e) of the 2014 MDSA contains a vital protection for Apple, namely, an explicit “Non-Assert” provision under which BYD Precision and all “Related Entities”—

which include its parent BYD—commit not to pursue any claims for infringement of intellectual property rights. The non-assert provision operates explicitly for the benefit of Apple and its “Related Entities,” including Apple Beijing, as well as Apple’s suppliers and distributors.

In April 2015, BYD breached both Apple's trust and BYD's express contractual obligations by suddenly and groundlessly filing two intellectual property suits in a court in Shenzhen, China.<sup>1</sup> In these actions, BYD asserts patent infringement claims not only against an Apple affiliate, Apple Beijing, but also against four Apple suppliers and an Apple distributor that form an essential link in Apple's Chinese supply chain. BYD's pursuit of these patent infringement claims in the Chinese court also constitutes a breach by BYD Precision of its obligation to guarantee BYD's performance of its agreement not to assert such claims.

As a result of the Chinese patent litigation and in order to protect itself, on October 23, 2015, Apple commenced an arbitration against BYD and BYD Precision pursuant to the arbitration agreement in the 2014 MDSA (the “ICC Arbitration”). Apple has been constrained to bring this proceeding to compel arbitration and to obtain injunctive relief in aid of the ICC Arbitration in order to avoid rendering moot the decision of the arbitral tribunal, to protect its supply chain, and to avoid irreparable harm to Apple’s goodwill and reputation and major disruption to Apple’s business operations.

## STATEMENT OF FACTS

## I. THE PARTIES

Petitioner Apple is a corporation organized under the laws of California, with its principal place of business at 1 Infinite Loop, Cupertino, California 95014, United States. Apple is a leading personal technology company, offering innovative hardware devices such as the iPhone, the iPad, the Mac, and Apple Watch. Apple's three software platforms—iOS, OS X, and watchOS—provide seamless experiences across these devices and offer users additional services including the App Store, Apple Music, Apple Pay, and iCloud.

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<sup>1</sup> BYD did not serve the complaints in these cases until July 2015.

1                    Respondent BYD Precision is a company organized and existing under the laws of  
 2 China, with its principal place of business at No. 3001 Baohe Road, Baolong Industrial Town,  
 3 Longgang Shenzhen, 518117, China. Respondent BYD is a corporation organized and existing  
 4 under the laws of China, with its principal place of business at No. 3001 Hengping Road,  
 5 Pingshan, Shenzhen, 518118 China. BYD is the parent and controlling shareholder of BYD  
 6 Precision, in which it holds an indirect interest of approximately 65.76%. Bussey Decl. Ex. C  
 7 (BYD Annual Report) at 88.

8                    BYD and its subsidiaries are engaged in three major businesses: (i) automobiles,  
 9 including traditional fuel-powered vehicles and new energy vehicles; (ii) handsets, including  
 10 component production and assembly; and (iii) rechargeable batteries and photovoltaic  
 11 technology, including lithium-ion, nickel, lithium ferrous phosphate, and solar battery products.  
 12 During 2014, the overall revenue of BYD and its subsidiaries was approximately RMB55,366  
 13 million, or in excess of U.S.\$ 8 billion. *Id.* at 13-16. BYD and its subsidiaries also maintain a  
 14 significant presence in the United States, including corporate offices in both Los Angeles and the  
 15 greater Chicago area and activities in California. Bussey Decl., Exs. D (BYD Website), E (BYD  
 16 News Article). BYD controls a sizeable patent portfolio. In 2013 alone, it acquired 2,099 patents  
 17 internationally, ranking fifth for the year among all Chinese companies in issued patents. As of  
 18 March 2014, BYD had amassed more than 12,000 Chinese patents. Bussey Decl., Ex. F (BYD  
 19 Website).

## 20                  **II. THE MASTER DEVELOPMENT AND SUPPLY AGREEMENTS**

21                    Apple has contracted with BYD and BYD's affiliates to develop, supply, and  
 22 support components of Apple products in China. One of the mainstays of this relationship is the  
 23 2011 MDSA between Apple and BYD, which—until its amendment and restatement in 2014—  
 24 set forth the terms on which BYD developed, supplied, and supported components for use in  
 25 Apple products. Bussey Decl., Exs. A, B (2011, 2014 MDSA).<sup>2</sup>

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26                  <sup>2</sup> Exhibits A and B to the Bussey Declaration are the same documents as Exhibits 6 and 5  
 27 (respectively) to Exhibit A (Request for Arbitration) to Apple's Petition for Order  
 28 Compelling Arbitration and for Injunctive Relief Pending Arbitration, as referenced in  
 Apple's Administrative Motion to File Documents Under Seal Pursuant to Civil Local  
 Rules 7-11 and 79-5.

1           In 2014, Apple initiated discussions with BYD executives to update the 2011  
 2 MDSA with additional terms. BYD employees and agents were directly and actively involved in  
 3 these negotiations. Of critical importance, Apple included a provision prohibiting all BYD  
 4 entities from bringing, *inter alia*, patent infringement claims against Apple and Apple's suppliers  
 5 and distributors. Bussey Decl., Ex. B at 10.

6           **A.       The Non-Assert Agreement**

7           The 2011 and 2014 MDAs overlap significantly in terms of substance and scope,  
 8 and contain many identical provisions. The 2014 MDSA also expressly includes the provision by  
 9 which BYD Precision, on behalf of itself and all "Related Entities"—which are also bound and  
 10 include BYD—commits not to assert any claims for infringement of intellectual property rights  
 11 against Apple or against, among others, Apple's distributors and suppliers. Bussey Decl., Ex. B  
 12 at 17.

13           Thus, Section 13.2(e) of the 2014 MDSA (the "Non-Assert Agreement") expressly  
 14 prohibits *any BYD entity* from asserting any intellectual property claims against Apple or Apple's  
 15 suppliers and distributors. Specifically, it provides that:

16           *[BYD Precision], on behalf of itself, its Related Entities, and*  
 17 *their successors in interest and permitted assigns, who shall be*  
 18 *bound as [BYD Precision]*, hereby covenants not to assert: (i) any  
 19 claims for infringement of any Intellectual Property Rights against  
 20 Apple for any products or services; and (ii) any claims for  
 21 infringement of any Intellectual Property Rights against Apple's  
 22 direct or indirect customers, partners, consultants, independent  
 contractors, resellers, distributors, or suppliers, but only for  
 products (including components) or services made, used, sold,  
 imported, exported, distributed or otherwise provided or disposed  
 of by or for Apple.

23           Bussey Decl., Ex. B at 10. The 2014 MDSA defines "Related Entity" to mean the following:  
 24

25           [A]ny other corporation . . . or other business entity that controls, is  
 26 controlled by, or is under common control with an entity, where  
 27 'control' means that the entity possesses, directly or indirectly, the  
 power to direct or cause the direction of the management policies  
 of the other entity, whether through ownership of voting securities,  
 an interest in registered capital, by contract, or otherwise.

1       *Id.* at 17. Under this definition, as the parent of BYD Precision, BYD is clearly a “Related  
 2 Entity.” BYD Precision is indisputably controlled by BYD and is identified in BYD’s December  
 3 31, 2014 Financial Statements as a connected person and one of BYD’s “principal  
 4 subsidiaries”—namely, “an entity (including a structured entity), directly or indirectly, controlled  
 5 by” BYD such that BYD has “the current ability to direct the [entity’s] relevant activities.”  
 6 Bussey Decl., Ex. C at 50, 88.

7                   **B. The 2014 MDSA Provides for Disputes Among the Parties to be Resolved by  
 8 Arbitration**

9       Section 18.1 of the 2014 MDSA provides that the agreement is subject to Apple’s  
 10 “General Terms and Conditions” set forth in Attachment 2 to that agreement. Bussey Decl., Ex.  
 11 B at 13. The General Terms and Conditions include a Dispute Resolution, Jurisdiction, and  
 12 Venue provision (the “Arbitration Agreement”) providing that:

13                  All disputes arising out of or related to the [2014 MDSA] shall be  
 14 finally settled under the Rules of Arbitration of the International  
 15 Chamber of Commerce (the “ICC Rules”) by three arbitrators  
 16 appointed in accordance with such rules, and shall be conducted  
 17 according to the International Bar Association (IBA) Rules on the  
 18 Taking of Evidence in International Arbitration. The arbitration  
 19 shall take place in San Francisco, California. The Arbitration shall  
 20 be conducted in English. . . . Supplier agrees that Apple will be  
 21 irreparably harmed and monetary damages may not be adequate  
 22 compensation if Supplier fails to meet its obligations hereunder . . .  
 23 and that in addition to other remedies, Apple shall be entitled to  
 24 seek injunctive relief or specific performance to prevent any  
 25 threatened or continued breach.

26       Bussey Decl., Ex. B at 21.

27                   **III. THE CHINESE PATENT LITIGATION**

28       On April 22, 2015, in direct contravention of the express Non-Assert Agreement in  
 29 the 2014 MDSA, BYD filed two virtually identical intellectual property suits in the Shenzhen  
 30 Intermediate People’s Court against Apple Beijing, four of Apple’s direct and indirect Chinese  
 31 suppliers, and one of Apple’s Chinese distributors.<sup>3</sup> Pascolini Decl., ¶ 3; *see also* Bussey Decl.,

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2                   <sup>3</sup> Although the complaints in these suits were filed on April 22, Apple Beijing was not  
 3 served with the complaints in these lawsuits until July 14, 2015.

1 Ex. H (English translations of BYD Chinese complaints). BYD's action also constituted a breach  
 2 by BYD Precision of its obligation under Section 18.3 of the 2014 MDSA to guarantee  
 3 performance of the terms and conditions of the agreement by BYD as a Related Entity.

4                   The Chinese Patent Litigation relates to two patents that BYD holds in respect of  
 5 Super-energy Beam Induced Deposition ("SBID") technology. The complaints allege that the  
 6 SBID technology is used in certain iPhone and iPad products,<sup>4</sup> which are manufactured by Apple  
 7 suppliers and sold by Apple Beijing and an Apple distributor. Pascolini Decl., ¶ 3. BYD alleges  
 8 that an Apple supplier, in collaboration with three other Apple suppliers and the Apple  
 9 distributor, infringed BYD's patents for the SBID technology, and that Apple sold products  
 10 containing antennae that infringe BYD's patents. *Id.* Specifically, BYD asserts that the  
 11 technology that an Apple supplier relies on in producing antennae—

12                   —infringes on its own SBID technology. Pascolini Decl. ¶ 4.

13                   The Non-Assert Agreement clearly binds BYD as a "Related Entity" of BYD  
 14 Precision and prohibits it from bringing the Chinese Patent Litigation.

15                   First, the Chinese Patent Litigation is a claim in relation to Intellectual Property  
 16 Rights as defined by the 2014 MDSA. Attachment 1 to the 2014 MDSA, "Definitions," defines  
 17 "Intellectual Property Rights" as:

18                   [A]ll current and future rights in . . . patents . . . and any other  
 19 intellectual property rights that may exist anywhere in the world,  
 20 including, in each case, whether unregistered, registered or  
 21 comprising an application for registration, and all rights and forms  
 22 of protection of a similar nature or having equivalent or similar  
 23 effect to any of the foregoing.

24                   Bussey Decl., Ex. B at 16.

25                   Second, BYD is a "Related Entity" of BYD Precision. As set forth above, the 2014  
 26 MDSA defines Related Entity to mean:

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27                   <sup>4</sup> The complaints allege that the antennae are contained in the "iPad Mini WLAN cell (iPad  
 28 mini3)." It is unclear whether "iPad Mini WLAN cell (iPad mini3)" intends to refer to the  
 29 iPad Mini 3 or all iPad products with Wi-Fi capability. Bussey Decl., Ex. H at 2-3, 5-6.

[A]ny other corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other business entity that controls, is controlled by, or is under common control with an entity, where ‘control’ means that the entity possesses, directly or indirectly, the power to direct or cause the direction of the management policies of the other entity, whether through ownership of voting securities, an interest in registered capital, by contract, or otherwise.

*Id.* at 17. As the controlling shareholder of BYD Precision, Bussey Decl., Ex. B at 88, BYD falls squarely within this definition. Accordingly, by bringing and progressing the Chinese Patent Litigation, both BYD and BYD Precision—as guarantor of BYD’s compliance with the Non-Assert Agreement—have breached and continue to be in breach of the 2014 MDSA.

In order to preserve its rights under the 2014 MDSA, Petitioner respectfully asks this Court to grant two orders, as follows: first, an order compelling BYD and BYD Precision to arbitrate the parties’ dispute in accordance with the Arbitration Agreement, including the issue of whether the Chinese Patent Litigation—and, in particular, any potential liability in relation to that litigation on the part of Petitioner, Petitioner’s Beijing affiliate, Petitioner’s suppliers, and Petitioner’s distributor—is precluded by the Non-Assert Agreement in the 2014 MDSA; and second, an order enjoining BYD from prosecuting the Chinese Patent Litigation pending a final determination of the parties’ dispute in the ICC Arbitration.

## ARGUMENT

### I. THIS COURT SHOULD COMPEL RESPONDENTS TO ARBITRATE THE PARTIES’ DISPUTE ARISING UNDER THE 2014 MDSA

Chapter 2 of the Federal Arbitration Act (“FAA”), which codifies the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “Convention”), governs arbitration agreements between U.S. and foreign corporations. 9 U.S.C. § 202. The statute grants federal district courts original jurisdiction over “action[s] or proceeding[s] falling under the Convention,” 9 U.S.C. § 203, as well as authority to compel arbitration “in accordance with the agreement . . . .” 9 U.S.C. § 206.

1                   The FAA establishes a “liberal federal policy favoring arbitration[.]” *Moses H.*  
 2 *Cone Mem’l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24 (1983). Where parties enter into an  
 3 arbitration agreement, the FAA “leaves no place for the exercise of discretion by a district court,  
 4 but instead mandates that district courts *shall* direct the parties to proceed to arbitration on issues  
 5 as to which an arbitration agreement has been signed.” *Dean Witter Reynolds, Inc. v. Byrd*, 470  
 6 U.S. 213, 218 (1985) (emphasis in original). The “emphatic federal policy” favoring arbitration  
 7 “applies with special force in the field of international commerce.” *Balen v. Holland America*  
 8 *Line, Inc.*, 583 F.3d 647, 652 (9th Cir. 2009) (*quoting Mitsubishi Motors Corp. v. Soler Chrysler-*  
 9 *Plymouth*, 473 U.S. 614, 631 (1985)). Thus, “any doubts concerning the scope of arbitrable issues  
 10 should be resolved in favor of arbitration . . . .” *Balen*, 583 F.3d at 652.

11                  In determining whether to compel arbitration under the Convention, a district court  
 12 within the Ninth Circuit must limit its inquiry to whether: “(1) there is an agreement in writing  
 13 within the meaning of the Convention; (2) the agreement provides for arbitration in the territory of  
 14 a signatory of the Convention; (3) the agreement arises out of a legal relationship . . . which is  
 15 considered commercial; and (4) a party to the agreement is not an American citizen . . . .” *Id.* at  
 16 654-55 (citation omitted). If these requirements are satisfied, a court must order arbitration unless  
 17 it “finds the agreement to be null and void, inoperative, or incapable of being performed.”  
 18 *Prograph Int’l Inc. v. Barhydt*, 928 F. Supp. 983, 988 (N.D. Cal. 1996) (citation omitted); *see also*  
 19 *Simula, Inc. v. Autoliv, Inc.*, 175 F.3d 716, 720 (9th Cir. 1999) (“[T]he district court can determine  
 20 only whether a written arbitration agreement exists, and if it does, enforce it in accordance with its  
 21 terms.”).

22                  All four predicates are satisfied here. First, there is an “agreement in writing”—the  
 23 2014 MDSA—with an arbitration provision. Second, the arbitration provision calls for arbitration  
 24 in San Francisco, which is within the “territory” of the United States, “a signatory of the  
 25 Convention.” Third, the 2014 MDSA, an agreement for the “Development and Supply” of  
 26 commercial goods, involves a “commercial” relationship. *See Belize Soc. Dev. Ltd. v. Gov’t of*  
 27 *Belize*, 794 F.3d 99, 104 (D.C. Cir. 2015) (holding that use of term “commercial” signals  
 28 legislative intent to encompass “broadest permissible exercise of Congress’ Commerce Clause

power"); *see also, e.g.*, *Freaner v. Valle*, No. 11CV1819 JLS (MDD), 2011 WL 5596919, at \*3 (S.D. Cal. Nov. 17, 2011) ("The agreement arises out of a commercial relationship between Plaintiff and Defendants in that the parties agreed for 'design services and products to be sold by Plaintiff to Hotelera.'"). Finally, the 2014 MDSA states that BYD Precision is "organized and existing under the laws of China" and is therefore "not an American citizen."

Moreover, the order compelling arbitration binds not only BYD Precision, a signatory to the 2014 MDSA, but also BYD. The Ninth Circuit has recognized that "nonsignatories of arbitration agreements may be bound by the agreement under ordinary contract and agency principles," *Letizia v. Prudential Bache Secs., Inc.*, 802 F.2d 1185, 1187 (9th Cir. 1986), including "1) incorporation by reference; 2) assumption; 3) agency; 4) veil-piercing/alter ego; and 5) estoppel," *Comer v. Micor, Inc.*, 436 F.3d 1098, 1101 (9th Cir. 2006); *see also Smith/Enron Cogeneration Ltd. P'ship, Inc. v. Smith Cogeneration Int'l, Inc.*, 198 F.3d 88, 97 (2d Cir. 1999) ("[N]on-signatories to an arbitration agreement may nevertheless be bound according to ordinary principles of contract and agency.").

Here, at least two such principles—agency and estoppel—operate to bind BYD to the arbitration provision in the 2014 MDSA.

That BYD Precision entered into the 2014 MDSA as an agent of BYD is clear from several facts. First, the preamble to the 2014 MDSA states that it "amended and restate[d] that certain Master Development and Supply Agreement . . . as of May 19, 2011." Under the express terms of the 2011 MDSA signed by BYD, BYD Precision could enter into such an amendment *only* as "an authorized signatory" of BYD. Because BYD Precision was authorized by BYD to enter into the 2014 MDSA, there can be no dispute that BYD is bound under ordinary agency principles. Additionally, the individuals who negotiated the 2014 MDSA for BYD Precision also work for and hold themselves out as, employees of BYD. Indeed, in the 2014 MDSA itself, BYD Precision makes representations on behalf of Related Entities, including BYD, and warrants that it has the authority "on behalf of itself and any Related Entity" to enter into the agreement. Accordingly, as BYD Precision entered into the 2014 MDSA as the agent of BYD, BYD is bound to arbitrate under that agreement. *See Zurich Am. Ins. Co. v. Cebcor Servs. Corp.*, No. 02 C 2283,

1 2003 WL 21418237, at \*5 (N.D. Ill. June 18, 2003) (holding that parent was bound to arbitration  
 2 clause “through principles of agency” where subsidiary entered into agreement as its agent).

3 BYD is also bound by the arbitration agreement in in the 2014 MDSA pursuant to  
 4 principles of equitable estoppel. “The linchpin for equitable estoppel is equity—fairness.”  
 5 *Grigson v. Creative Artists Agency LLC*, 210 F.3d 524, 528 (5th Cir. 2000). In *Wood v. PennTex*  
 6 *Resources, LP*, for example, one company, PennTex, entered into a Stock Purchase Agreement  
 7 (“SPA”) to purchase a second company, ERG. 458 F. Supp. 2d 355, 371 (S.D. Tex. 2006) *aff’d*  
 8 *sub nom. Wood v. Penntex Res. LP*, 322 F. App’x 410 (5th Cir. 2009). The agreement required  
 9 ERG and its president, Wood, upon receiving indemnity from PennTex, to cede control over a  
 10 lawsuit that ERG and Wood had brought against a third company. *Id.* at 358-59. PennTex  
 11 provided the indemnity, but Wood refused to dismiss the lawsuit. *Id.* at 359-60. PennTex sought  
 12 to compel Wood, through arbitration under the SPA, to dismiss his claims. *Id.* Wood claimed that  
 13 he was not a party to the SPA, but the court nonetheless compelled him to arbitrate. The court  
 14 held that it was “[Wood’s] actions as a *plaintiff* pursuing litigation” that violated the SPA and “led  
 15 to the underlying dispute.” *Id.* at 372. That is, “[t]he disputed issue” in the arbitration was  
 16 “whether the Stock Purchase Agreement precludes Wood from pursuing those claims.” *Id.*  
 17 Moreover, Wood had “participated in negotiating the . . . Stock Purchase Agreement, was named  
 18 in the Agreement, and ha[d] been involved in its execution and performance.” *Id.* at 370. Finally,  
 19 the SPA “imposed obligations on him and provided benefits for him” in the form of indemnities.  
 20 *Id.*

21 *Wood* controls the outcome of this proceeding. Here, as in *Wood*, the underlying  
 22 dispute to be arbitrated is whether, by suing Apple’s Related Entities in the Chinese Patent  
 23 Litigation, the non-signatory—BYD—violated the agreement containing the arbitration  
 24 agreement. Here, as in *Wood*, that agreement expressly references the non-signatory—its title is  
 25 “Amended & Restated Master Development and Supply Agreement Between Apple and **BYD**  
 26 **Company Limited**”—and was negotiated by the non-signatory. Further, here, as in *Wood*, the  
 27 agreement imposes obligations on the non-signatory by preventing it, as a “Related Entity,” from  
 28 pursuing claims against Apple or Apple’s affiliates, suppliers, or distributors. Finally, there can be

1 no doubt here that BYD benefitted directly from the agreement; indeed, until 2014, BYD *was* the  
 2 signatory to the functionally equivalent contract.

3 BYD is therefore equitably estopped from avoiding arbitrating this dispute under  
 4 the 2014 MDSA with Apple. *Wood*, 458 F. Supp. 2d at 372;<sup>5</sup> *see also Legacy Wireless Servs.,*  
 5 *Inc. v. Human Capital, LLC*, 314 F. Supp. 2d 1045, 1056-58 (D. Or. 2004) (estopping non-  
 6 signatory from avoiding arbitration because it was closely related to signatory, “played an  
 7 important role in the consummation of the agreement and in assisting [the signatory in] fulfilling  
 8 its contractual obligations,” and received administrative fees stemming from the deal); *Am. Bureau*  
 9 *of Shipping v. Tencara Shipyard S.P.A.*, 170 F.3d 349, 351-53 (2d Cir. 1999) (compelling non-  
 10 signatory, owners of yacht, to arbitrate claims against signatory, agency who had erroneously  
 11 certified to shipbuilder that the vessel was seaworthy, because the certification allowed owners to  
 12 obtain lower insurance rates and to sail their ship under a French flag).

13 **II. THIS COURT SHOULD ISSUE AN ANTI-SUIT INJUNCTION PROHIBITING**  
 14 **BYD FROM PROSECUTING THE CHINESE PATENT LITIGATION PENDING**  
**THE OUTCOME OF THE ICC ARBITRATION**

15       A.     **Legal Standard for an Anti-Suit Injunction**

16       A federal district court having jurisdiction has the power to enjoin parties from  
 17 proceeding with an action in the courts of a foreign country. *Seattle Totems, Etc. v. Nat'l Hockey*  
 18 *League*, 652 F.2d 852, 955 (9th Cir. 1981). Courts are obliged “to protect their legitimately  
 19 conferred jurisdiction” in order “to provide full justice to litigants.” *E. & J. Gallo Winery v.*  
 20 *Andina Licores S.A.*, 446 F.3d 984, 995 (9th Cir. 2006). The jurisdiction to issue an anti-suit  
 21 injunction operates *in personam*, such that the U.S. court enjoins the claimant, not the foreign  
 22 court. *Id.* at 989.

23       Injunctive relief is particularly appropriate where, as here, “interim relief is  
 24 necessary to preserve the status quo and the meaningfulness of the arbitration process.” *See Toyo*  
*Tire Holdings of Ams., Inc. v. Cont'l Tire N. Am., Inc.*, 609 F.3d 975, 980 (9th Cir. 2010).

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25       <sup>5</sup> *Wood* held in the alternative that even though Wood had signed the SPA in his  
 26 representative capacity as president of ERG, he was a party to the agreement due to the  
 27 individual obligations it imposed on him. *Id.* at 365.

The Ninth Circuit has established a three-part inquiry for assessing whether to issue an anti-suit injunction. The court must determine: (1) whether the parties and issues are the same in the domestic and foreign actions, and whether the domestic action is dispositive of the action to be enjoined; (2) whether any of the factors enunciated by the Fifth Circuit in *In re Unterweser Reederei GMBH* apply;<sup>6</sup> and (3) whether the impact on comity would be tolerable. *Gallo*, 446 F.3d at 991-93; *Applied Med. Distrib. Corp. v. Surgical Co.*, 587 F.3d 909, 913 (9th Cir. 2009).

#### **B. The Parties and Issues Are the Same in the U.S. Action and the Chinese Patent Litigation**

The first requirement—that the parties and issues are the same in the domestic and foreign actions—is plainly met here.

##### **1. The Parties to the ICC Arbitration and the Chinese Patent Litigation Are the Same**

In determining whether the parties to the foreign and domestic actions are the same, “perfect identity of the parties is not required.” *Zynga, Inc. v. Vostu, USA, Inc.*, 816 F. Supp. 2d 824, 828 (N.D. Cal. 2011) (citing *Equity Invs., Inc. v. Opportunity Equity Partners Ltd.*, 441 F. Supp. 2d 552, 562 (S.D.N.Y. 2006)). For an anti-suit injunction to issue, “it suffices that the parties be affiliated in such a way that their interests coincide.” *Id.*

The table below summarizes the overlap among the parties in the pending actions.

	<b>ICC Arbitration</b>	<b>U.S. Proceeding</b>	<b>Chinese Patent Litigation</b>
<b>Apple, Inc. (“Apple”)</b>	Petitioner	Petitioner	--
<b>Apple Electronic Products Commerce (Beijing) Co., Ltd., Yitian Shenzhen Branch (“Apple Beijing”)</b>	--	--	Respondent
<b>BYD Company Limited (“BYD”)</b>	Respondent	Respondent	Petitioner
<b>BYD Precision Manufacturing Co., Ltd. (“BYD Precision”)</b>	Respondent	Respondent	--

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<sup>6</sup> As described more fully below, the relevant factors are whether the foreign litigation would: (1) frustrate a policy of the forum issuing the injunction; (2) be vexatious or oppressive; (3) threaten the issuing court’s *in rem* or *quasi in rem* jurisdiction; or (4) prejudice other equitable considerations. 428 F.2d 888, 896 (5th Cir. 1970).

As the table reflects, there is total overlap among the parties to the ICC arbitration and this proceeding, on the one hand, and the Chinese Patent Litigation, on the other, except that (1) Apple Inc. is not a party to the Chinese Patent Litigation, (2) Apple Beijing is not a party to the ICC arbitration, and (3) the ICC arbitration additionally includes BYD Precision, a subsidiary of BYD. As a practical matter, because the Non-Assert Agreement is binding on BYD and BYD Precision as Related Entities, and confers a benefit on Apple and all of its Related Entities, including Apple Beijing, as well as all of Apple's "suppliers" and "distributors," including those named as defendants in the Chinese Patent Litigation, these differences have no effect on whether the ICC arbitration and this proceeding would dispose of the Chinese Patent Litigation. Further, the interests of Apple Inc. and Apple Beijing perfectly coincide. As the parent of Apple Beijing, Apple will be required to oversee and participate in the Chinese Patent Litigation to the same extent as Apple Beijing. Indeed, Apple and Apple Beijing share an equal interest in ensuring that there is no disruption to the Apple business or supply chain.

In such a situation, the parties are sufficiently "the same" for this court to issue an anti-suit injunction. *See Zynga*, 816 F. Supp. 2d at 828-29.

## 2. The Same Issue Underlies the ICC Arbitration and U.S. Proceeding and the Chinese Patent Litigation

The next inquiry is whether the issues are the same in the foreign and domestic actions. As the Ninth Circuit has repeatedly emphasized, the inquiry at this step does not require that the issues in both actions be *identical*. *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 882-83 (9th Cir. 2012). Instead, the court asks whether the issues functionally overlap such that the issues in the foreign action can be resolved in the local action. *Id.* To the extent that the domestic action will dispose of the issues in the foreign action, "the issues are meaningfully 'the same.'" *Id.* at 882 (quoting *Applied*, 587 F.3d 909).

Where, as here, the contractual issues raised in the ICC Arbitration would foreclose the patent claims brought in the Chinese Patent Litigation, the issues are deemed to be the same. *Microsoft*, 696 F.3d at 882-84. The Ninth Circuit addressed precisely this situation in *Microsoft*. In that case, Motorola successfully petitioned a German court for an injunction

1 barring Microsoft from infringing Motorola's German-issued patents. Microsoft then brought an  
 2 anti-suit injunction against Motorola in the Northern District of California to prevent Motorola  
 3 from enforcing the German injunction, on grounds that Motorola had implicitly contracted not to  
 4 enjoin users of its patented technology. Motorola argued that an anti-suit injunction was not  
 5 appropriate because the U.S. action could not resolve the German action, given that the German  
 6 patents were issued under German law and had no extraterritorial effect. The district court  
 7 concluded the issues presented in the domestic and German litigations were the same, and the  
 8 Ninth Circuit affirmed. The court reasoned that an anti-suit injunction was appropriate:

9 [W]here the precise issue before the U.S. court was not the patents  
 10 themselves, but 'a contract between the parties' not to enforce the  
 11 patents . . . . In other words, the party was 'not seeking to enjoin [a  
 12 party from litigating in] a foreign court on the basis of a patent  
 validity or infringement finding by a United States court' but on  
 the basis of a contract interpretation by a U.S. court.

13 *Id.* at 883 (citing *Medtronic, Inc. v. Catalyst Research Corp.*, 518 F. Supp. 946, 955 (D. Minn.  
 14 1981) (internal citations omitted)).

15 This case falls squarely within *Microsoft*'s ambit: Apple seeks to enjoin the  
 16 Chinese Patent Litigation because that litigation violates BYD's obligation under the Non-Assert  
 17 Agreement to abstain from bringing patent infringement proceedings against Apple and its  
 18 "Related Entities," including Apple Beijing and Apple's suppliers and distributors.

19 Importantly, this Court does not need to decide that Apple *will* ultimately succeed  
 20 on its contract claims; instead, the Court needs only to determine after a "ballpark, tentative  
 21 assessment of the merits" that the contract claims *could* dispose of the Chinese Patent Litigation.  
 22 *Microsoft*, 696 F.3d at 884-85. That requirement is plainly met here. Resolution of the  
 23 contractual issue, which Apple seeks to address through the ICC Arbitration—that the Non-  
 24 Assert Agreement bars BYD entirely from bringing the Chinese Patent Litigation—would  
 25 unquestionably dispose of the Chinese Patent litigation.

1           **C. The Chinese Patent Litigation Frustrates This Court’s Policies Favoring  
2           Forum Selection Provisions, Including Arbitration Agreements**

3           The second step in the anti-suit injunction analysis is to determine whether any of  
4           the *Unterweser* factors apply. Those factors are whether the foreign litigation would: (1) frustrate  
5           a policy of the forum issuing the injunction; (2) be vexatious or oppressive; (3) threaten the  
6           issuing court’s *in rem* or *quasi in rem* jurisdiction; or (4) prejudice other equitable considerations.  
7           *Microsoft*, 696 F.3d at 882 (citing *Unterweser*, 428 F.2d at 896). These factors are disjunctive so  
8           that the presence of any factor may justify an anti-suit injunction. *Microsoft*, 696 F.3d, at 881;  
9           *Gallo*, 446 F.3d at 990. Here, the *Unterweser* factors counsel in favor of an anti-suit injunction.

10           First and foremost, the Chinese Patent Litigation would frustrate this forum’s  
11           strong policy in favor of forum selection clauses. The Ninth Circuit explained the importance of  
12           forum selection clauses in *Gallo*: “Forum selection clauses are increasingly used in international  
13           business. When included in freely negotiated commercial contracts, they enhance certainty, allow  
14           parties to choose the regulation of their contract, and enable transaction costs to be reflected  
15           accurately in the transaction price.” *Gallo*, 446 F.3d at 992 (citing *Carnival Cruise Lines, Inc. v. Shute*, 499 U.S. 585, 593-94 (1991)).

17           As the Ninth Circuit has repeatedly recognized, “without the availability of anti-  
18           suit injunctions, the vitality of forum selection clauses would be impermissibly and improvidently  
19           jeopardized.” *Applied*, 587 F.3d at 919. Here, the parties expressly contracted that all disputes  
20           arising out of or related to the 2014 MDSA shall be settled via arbitration under the ICC  
21           Arbitration Rules in San Francisco, California. An anti-suit injunction is an appropriate remedy to  
22           ensure that the parties’ chosen forum—an arbitral tribunal—can adjudicate whether the 2014  
23           MDSA precludes the Chinese Patent Litigation.

24           **D. This Contract Dispute Between Private Parties Has No Effect on Comity**

25           The final inquiry that the Court must undertake is whether the “impact on comity is  
26           tolerable.” *Microsoft*, 696 F.3d at 886 (citing *Gallo*, 446 F.3d at 991). This comity analysis will  
27           counsel against an anti-suit injunction only if the court concludes that the “interference [with  
28           comity] is so great as to be intolerable.” *Id.*

1              Courts have consistently held that a private contract dispute between two parties  
 2 has no effect on comity whatsoever, much less an effect so intolerable as to prevent the court from  
 3 enjoining vexatious foreign litigation. *See, e.g., Microsoft*, 696 F.3d at 887 (“[C]omity is less  
 4 likely to be threatened in the context of a private contractual dispute than in a dispute implicating  
 5 public international law or government litigants.”). Further, an anti-suit injunction that serves to  
 6 enforce a contract between private parties does not violate standards of comity even where one  
 7 party may “have enjoyed different procedural or substantive advantages under another country’s  
 8 law.” *Microsoft*, 696 F.3d at 888 (citing *Gallo*, 446 F.3d at 994). To the contrary, “where there is  
 9 no public international issue raised, a foreign government is not involved in the litigation, and the  
 10 litigation involves private parties concerning disputes arising out of a contract, not only would an  
 11 anti-suit injunction not have an intolerable impact on comity, but allowing foreign suits to proceed  
 12 in such circumstances would seriously *harm* international comity.” *InterDigital Tech. Corp. v.*  
 13 *Pegatron Corp.*, No. 15-02584, 2015 WL 3958257, at \*8 (N.D. Cal. June 28, 2015) (quoting  
 14 *Applied*, 587 F.3d at 921) (citations omitted).

15              This is precisely the situation now before the Court. This dispute is between  
 16 entirely private parties. No foreign government is involved. The parties have expressly agreed to  
 17 be bound by U.S. law.<sup>7</sup> The issues presented do not implicate any public or international issues.  
 18 Under these circumstances, the issuance of an anti-suit injunction would have no negative impact  
 19 on comity whatsoever.

20              **E. Apple Will Be Irreparably Harmed if Forced to Defend the Chinese Patent  
 21 Litigation**

22              The harm to Apple if BYD is not restrained from pursuing the Chinese Patent  
 23 Litigation is clear: in the absence of injunctive relief, Apple will be forced to bear the burden and  
 24 expense of defending itself in litigation in China, while facing a potentially significant disruption  
 25 in its supply chain, lost sales, and unquantifiable damages to its reputation and goodwill with

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26              <sup>7</sup> The 2014 MDSA contains a choice of law provision in the General Terms and Conditions,  
 27 set forth in Attachment 2 to that agreement, which provides that “the rights and obligations  
 28 of the Parties shall be governed by and construed and enforced under the laws of the State  
 of Delaware, without regard to choice of law principles.” Bussey Decl., Ex. B at 21.

1 consumers and businesses that demand Apple products.  
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15       The likely harm to Apple is made even more egregious because Apple, following  
16 arms' length negotiations, received contractual assurances that BYD entities would never bring the  
17 very claims that BYD now asserts. Moreover, it is clear that parties understood the harm that  
18 would be inflicted on Apple in the exact circumstances at hand, because the 2014 MDSA  
19 expressly recognizes the potential for such harm. Specifically, the Arbitration Agreement in the  
20 2014 MDSA provides that:

21       Supplier agrees that Apple will be irreparably harmed and  
22 monetary damages may not be adequate compensation if Supplier  
23 fails to meet its obligations hereunder . . . and that, in addition to  
24 other remedies, Apple shall be entitled to seek injunctive relief or  
specific performance to prevent any threatened or continued  
breach. The parties hereby waive any requirements for security for  
obtaining any provisional relief.

25  
26       In short, the parties unambiguously stipulated that any contractual breach would result in  
27 irreparable harm to Apple, such that the injunctive relief Apple now seeks is appropriately granted.  
28

1 By contrast, an anti-suit injunction will result in *no harm* to BYD or BYD  
 2 Precision. The requested relief would merely enforce, pending a final determination of the parties'  
 3 dispute in the arbitration, the contractual terms to which those parties stipulated. Moreover, the  
 4 relief that Apple seeks is limited in scope. Apple seeks an anti-suit injunction for only as long as  
 5 necessary for an arbitral tribunal to resolve Apple's contract claims. Should the arbitral tribunal  
 6 resolve these claims in BYD's favor, BYD is free to continue pursuing the Chinese Patent  
 7 Litigation.

8 Under these circumstances, an anti-suit injunction is appropriate.

9 **CONCLUSION**

10 For all the foregoing reasons, Apple respectfully requests that the Court compel  
 11 Respondents to arbitrate the parties' dispute over the Non-Assert Agreement arising under the  
 12 2014 MDSA and, pending the outcome of the arbitration, enjoin Respondents from prosecuting  
 13 the Chinese Patent Litigation.

14 Dated: October 29, 2015

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